

National
Grange
Mutual
Insurance
Company

55 West Street
P. O. Box 2300
Keene, NH 03431-7000



December 14, 2001

Douglas W. Baillie
7713 Pine Isle Court
Cincinnati, Ohio 45244

Dear Doug,

It is a pleasure to confirm our offer to you for the Director of Distribution Management position. Your salary will be \$140,000 per year, payable bi-weekly, with a one-time gross sign on bonus of \$20,000 payable with your first pay check. Your starting date will be January 2, 2002. The office is currently observing casual business dress.

You will be eligible for the Home Office Management Incentive program with a target performance of 20%.

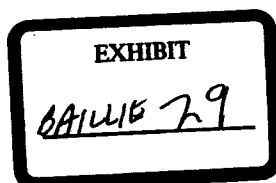
You will be eligible for NGM's Relocation Program and I have enclosed our policy for your review. If you take advantage of the relocation program and voluntarily leave the company within one year of your start date a prorated share of the cost of the relocation assistance provided would need to be reimbursed to the company.

A corporate 401(k) plan is available to all employees. We have a multitude of funds offered through the Vanguard Group. At your current salary you could defer up to 8% pre-tax and 1-9% after-tax, however, the combined total could not exceed 17%. Our present eligibility rules allow you to become a participant in the plan and start contributing upon hire. After one year of service, NGM begins matching your contributions at 100% of the first 2% contributed on a pre-tax basis. Our plan allows you to roll over any existing funds into the plan when you commence employment. Once the funds are rolled into the plan, you could apply for a loan immediately, if you so choose.

You will be eligible for 15 days paid vacation for the 2002 calendar year.

In Jacksonville we currently offer the choice between two medical plans – the CIGNA POS (Point of Service) or Blue Cross/Blue Shield (HMO). A CIGNA Dental plan is also available.

All benefits will be fully discussed with you on the day that you begin. Also, on that day, we will need to know how many exemptions you will claim for tax withholding purposes (worksheet enclosed) and the full name and social security number(s) of your beneficiaries for your company paid basic life insurance.



000510


Douglas W. Baillie
December 14, 2001
Page Two

To comply with immigration laws, please complete the enclosed Employment Eligibility Verification (Form I-9) under Section 1. Bring with you either one item from List A or one item from List B and List C under Section 2. Most people find it convenient to provide a driver's license and a social security card. We will complete the remainder of the form in the office.

For your convenience, I have enclosed other miscellaneous forms that you will be requested to fill out on the day that you begin. Please fill them out as best you can; leave those areas blank where you may have questions.

Welcome to the NGM team! We look forward with anticipation to working with you and feel that you will be an excellent addition to our Organization. On the morning of the day you join, please come into the lobby and ask for me. If you should have any questions before then, please feel free to call me at 904-739-0873.

Sincerely,



Kelly Stacy
Vice President, Marketing

Enclosures

CC: Human Resources

I have read and fully understand the contents of this letter. Additionally, I agree that if I should voluntarily leave the company within 12 months of my start date, the sign-on bonus would need to be reimbursed to the company on a pro-rated basis.

Douglas Baillie 12/17/01

Douglas W. Baillie

date

000511